

GAO

United States General Accounting Office  
Report to Congressional Requesters

June 1992

EXPORT PROMOTION

A Comparison of  
Programs in Five  
Industrialized Nations



146990

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**United States  
General Accounting Office  
Washington, D.C. 20548**

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**General Government Division**

**B-208993**

June 22, 1992

**The Honorable Doug Barnard, Jr.  
Chairman, Commerce, Consumer, and  
Monetary Affairs Subcommittee  
Committee on Government Operations  
House of Representatives**

**The Honorable Frank Horton  
Ranking Minority Member  
Committee on Government Operations  
House of Representatives**

**As requested, we developed information regarding the export promotion programs of the United States and four industrialized nations that are its competitors.**

**The report details the structure of export promotion programs, the spending for these programs, and the financial assistance offered to exporters in four major European countries. We also provide a summary of U.S. practices and compare competitor and U.S. programs.**

**As agreed with the Committee, unless you release this report earlier, we plan no further distribution of the report until 30 days from its issue date. At that time, we will send copies to interested parties and make copies available to others upon request.**

**Please contact me at 275-4812 if you or your staff have any questions concerning the report.**

**The major contributors to this report are listed in the appendix.**

  
**Allan I. Mendelowitz, Director  
International Trade and Finance Issues**

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# Executive Summary

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## Purpose

Exports play a vital role in the U.S. economy by creating jobs and generating economic growth. In 1990 the United States exported \$394 billion in goods and services. Even so, these exports only represented about 7.1 percent of the U.S.' gross domestic product. By comparison, exports represent a more important share of the economies of some of the largest European countries, ranging from about 27 percent of gross domestic product in Germany to 16 percent of gross domestic product in Italy. To assist their exporters in entering world markets, these countries have adopted some unique approaches.

To compare the export promotion assistance programs of some of the U.S.' European competitors with those of the United States, the Ranking Minority Member of the House Committee on Government Operations and the Chairman of its Subcommittee on Commerce, Consumer, and Monetary Affairs asked GAO to obtain information about (1) the structure of their export promotion programs, (2) the spending for such programs, and (3) the financial assistance these competitors give to their exporters.

This report compares the nonagricultural export promotion activities of France, Germany, Italy, the United Kingdom, and the United States.

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## Background

Most industrialized nations have programs to help companies sell products abroad. These programs, collectively referred to as "export promotion," include business counseling, training, market research information, trade missions and fairs, and export financing assistance. Export promotion programs can play an important role in increasing the exports of a country's goods and services in sectors of the economy in which it is competitive.

Export promotion services in the United States are fragmented among 10 government agencies. Yet recently the U.S. government has taken several steps to better unify and streamline the delivery of these services. In 1989 the Department of Commerce began a series of reviews on the adequacy of its export services. Also, in May 1990, the President formed an interagency committee, the Trade Promotion Coordinating Committee, to more effectively coordinate the delivery of government export promotion services.

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## Results in Brief

The degree of government involvement in, and integration of, export promotion programs varies sharply among the five countries GAO studied,

making it difficult to generalize. Accordingly, while few overall generalizations can be drawn about the four European countries' organization of export promotion services, several factors may give these countries' exporters an advantage.

- The export programs in France, Germany, Italy, and the United Kingdom are less fragmented than in the United States. In countries in which the national government plays a major role, the programs are consolidated in one or among a few national agencies or unified under a governmentwide strategic plan. Moreover, European exporters are more actively aided by semiprivate and private organizations, such as chambers of commerce and industry associations, than is true in the United States.
- The French, Italian, and British national governments tend to spend relatively more money on and assign more staff to promoting exports than do the United States and Germany.
- The European countries GAO examined generally offer more financial incentives and targeted services than does the United States. Although the United States offers a similar range of export promotion programs and services, some European countries (1) offer financial assistance to businesses participating in trade events and for market development, (2) target assistance to small- and medium-sized firms, and (3) provide greater access to export financing through a network of field offices and through fewer restrictions on obtaining financing.

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## GAO's Analysis

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### National Government and Private Sector Involvement Varies

The level of national government involvement in, and the resulting integration and coordination of, export promotion programs varies among countries. The U.S.' approach is distinct from these countries. While the U.S. government is involved in most aspects of export promotion, its efforts are not centrally managed or implemented under a strategic plan based on a set of national priorities. Moreover, private sector groups play a much more limited role in promotion activities and are not well coordinated with federal government efforts.

In France, a single government agency manages most aspects of export promotion. In contrast, in Germany government limits its promotional activities to gathering and distributing market information and to

supporting the efforts of chambers of commerce. Other countries, including the United States, fall somewhere in between.

In Italy, the national government has primary responsibility for export promotion. One government organization manages major government-sponsored programs including the domestic and foreign commercial service. However, semiprivate industry associations play a major role, as do chambers of commerce and industry. In the United Kingdom, responsibility for export promotion resides within a joint directorate consisting of staff from the Department of Trade and Industry and the British Foreign and Commonwealth Office. In addition, the government integrates the work of private sector organizations and articulates the various programs' priorities in a 3-year strategic plan.

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**Some European Countries Devote More Resources to Export Promotion**

The national governments of France, Italy, and the United Kingdom spend more money on and assign more staff to export promotion duties than does the United States. For example, in 1990 nonagricultural export promotion spending as a percent of exports ranged from a high of \$1.99 per \$1,000 in France to a low of \$0.22 per \$1,000 in Germany. The United States fell near the low end, spending \$0.59 for every \$1,000 of exports. Further, all the countries GAO examined devote more commercial staff to their country's foreign commercial service than does the United States.

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**Financial Services, Targeted Services Offered**

All the European countries GAO reviewed are aggressively encouraging exporters to enter new markets or to expand into existing markets by offering a combination of targeted assistance and financial incentives.

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**European Countries Emphasize Trade Fairs**

Some European countries emphasize and encourage industry participation in trade fairs and offer financial assistance to cover certain costs, including transportation, space rental, and booth design and construction. The U.S. government provides organizational and administrative support to businesses participating in trade fairs, but generally does not provide direct financial support. In most cases U.S. firms must bear the full direct cost of attending overseas fairs.

France and the United Kingdom also offer programs that provide firms with financial assistance for investigating and developing overseas markets and obtaining marketing research. These countries believe market development is important to identifying and improving a market's

long-term export potential. The United States does not offer firms direct financial support to investigate new markets or conduct market research. Rather, it provides a limited number of market research publications priced at reduced rates.

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**Some European Countries Target Services on Best Export Prospects**

France and the United Kingdom target export promotion resources to particular geographic areas and industry sectors. The United Kingdom, for example, has chosen Asia, North America, and Western Europe for concentrated export promotion assistance. Further, under its "Opportunity Japan" program, the United Kingdom targets specific industry sectors in Japan for long-term penetration by British firms. An "Opportunity USA" program is being readied for next year. While the United States identifies industry sectors with export potential, it generally does not target financial assistance and services to industries that are strategically important to overall U.S. competitiveness.

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**European Countries Offer Greater Access to Export Financing**

In France and Germany, export financing is made more accessible for exporting firms through decentralized locations. France offers a network of 22 regional offices where exporters can obtain export finance assistance. In Germany, interested exporters can obtain information or apply for financing through a consortium of 54 banks or at local banks throughout Germany. In contrast, the U.S. Export-Import Bank does not have a regional office network to make export financing more accessible to the small- and medium-sized business communities. However, it does have a "city-state" program established in 2 cities and 12 states to make its programs more accessible to the U.S. business community by providing pre-application processing services.

The European countries GAO studied also place fewer government restrictions on obtaining export financing. While U.S. Export-Import Bank loans and loan guarantees require case-by-case determinations based on need, other countries make long-term determinations about what types of exporters to assist and then provide sufficient money and administrative freedom to assist those exporters.

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**Recommendations**

This report contains no recommendations.

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## Agency Comments

GAO discussed this report with officials from the Department of Commerce and with senior commercial officers from the embassies of France, Germany, and the United Kingdom. They generally agreed with GAO's characterization of their countries' programs.



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# Contents

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|  |  |           |
|--|--|-----------|
| <b>Executive Summary</b>   |  | <b>2</b>  |
| <b>Chapter 1</b>   |  | <b>10</b> |
| <b>Introduction</b>  | <b>The U.S. Government Is Attempting to Better Coordinate Its Export Promotion Programs</b>            | <b>11</b> |
|  | <b>Objectives, Scope, and Methodology</b>  | <b>12</b> |
| <b>Chapter 2</b>   |  | <b>15</b> |
| <b>National Government Involvement in and Integration of Programs Varies</b> | <b>The U.S. Government Is the Primary Provider of Export Assistance for U.S. Businesses</b>            | <b>16</b> |
|  | <b>France's Program Is Highly Centralized and Integrated</b>   | <b>17</b> |
|  | <b>The German Government Limits Its Role in Export Promotion</b>                                       | <b>18</b> |
|  | <b>Italian Export Promotion Is a Loose Mix of Centralized Government and Semiprivate Organizations</b> | <b>20</b> |
|  | <b>Export Promotion in the United Kingdom Follows a Strategic Plan</b>                                 | <b>21</b> |
| <b>Chapter 3</b>   |  | <b>23</b> |
| <b>Differences Exist in All Countries' Export Promotion Funding</b>          | <b>Similar Types of Programs Offered</b>   | <b>23</b> |
|  | <b>Some European Countries Commit More Resources to Promoting Exports</b>                              | <b>23</b> |
| <b>Chapter 4</b>   |  | <b>26</b> |
| <b>European Countries Offer Financial Assistance to Exporters</b>            | <b>European Countries Offer Financial Support for Trade Fair Participation</b>                         | <b>26</b> |
|  | <b>Some European Countries Provide Financial Assistance for Market Development</b>                     | <b>29</b> |
|  | <b>Some European Countries Target Funds and Services</b>   | <b>29</b> |
|  | <b>European Countries Provide Better Access to Export Financing</b>                                    | <b>31</b> |
| <b>Appendix</b>  | <b>Appendix I: Major Contributors to This Report</b>   | <b>34</b> |
| <b>Related GAO Products</b>  |  | <b>36</b> |
| <b>Tables</b>  | <b>Table 3.1: Five National Governments' Export Promotion Services</b>                                 | <b>23</b> |

---

---

|   |    |
|---|----|
| Table 3.2: Five National Governments' Outlays for Export Promotion Programs, 1990 | 24 |
| Table 3.3: Five National Governments' Overseas Export Promotion Staffing, 1990    | 25 |

---

**Figures**

|  |    |
|--|----|
| Figure 1.1: Five Countries' Exports as a Percent of Gross Domestic Product, 1990         | 10 |
| Figure 2.1: Five National Governments' Involvement in and Integration of Export Programs | 15 |

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**Abbreviations**

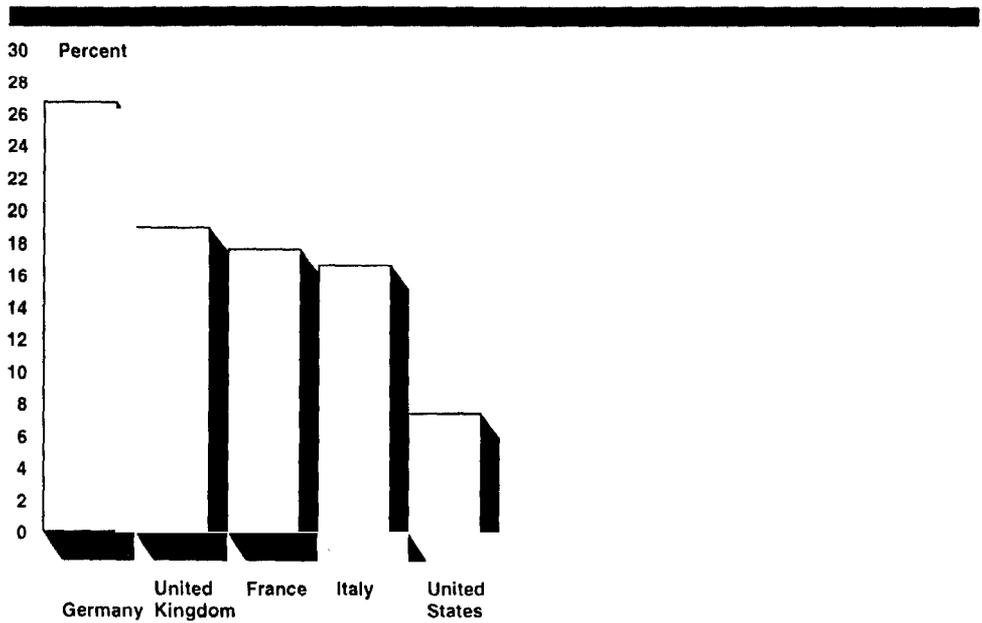
|          |  |
|----------|--|
| AKA      | Ausföhrkredit-Gesellschaft                                     |
| AUMA     | Die Ausstellungs- und Messe-Ausschuss der Deutschen Wirtschaft |
| BfAI     | Bundesstelle für Aussenhandelsinformation                      |
| BMWi     | Bundesministerium für Wirtschaft                               |
| BOTB     | British Overseas Trade Board                                   |
| CFCE     | Centre Francais du Commerce Extérieur                          |
| COFACE   | Compagnie Française d'Assurance pour le Commerce Extérieur     |
| DREE     | Direction des Relations Economiques Extérieures                |
| DTI      | Department of Trade and Industry                               |
| Eximbank | U.S. Export-Import Bank  |
| FSN      | Foreign Service National                                       |
| GAO      | General Accounting Office                                      |
| GDP      | gross domestic product   |
| ICE      | Istituto Nazionale per il Commercio Estero                     |
| ITA      | International Trade Administration                             |
| OECD     | Organization for Economic Cooperation and Development          |
| SBA      | Small Business Administration                                  |
| US&FCS   | U.S. and Foreign Commercial Service                            |

# Introduction

Maintaining the competitiveness of U.S. exports has become increasingly important to the nation's economic health. From 1986 through 1990, the increase in U.S. exports generated almost 40 percent of the growth in U.S. gross domestic product (GDP). In 1990 alone, exports accounted for more than 75 percent of GDP growth; most of this growth came from exports of manufactured products.

Although U.S. exports have increased in recent years—reaching a high of \$393 billion in 1990—exports as a percent of GDP continue to lag our major European competitors, as shown in figure 1.1. This lag may be due, in part, to the fact that relatively few U.S. firms export. The Department of Commerce estimates that only 15 percent of U.S. exporters account for 60 percent of the value of U.S. manufactured exports.

**Figure 1.1: Five Countries' Exports as a Percent of Gross Domestic Product, 1990**



Source: Organization for Economic Cooperation and Development (OECD) Main Economic Indicators for Gross Domestic Product (May 1991)

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## The U.S. Government Is Attempting to Better Coordinate Its Export Promotion Programs

To increase exports of goods and services, the United States offers a variety of export promotion services through 10 government organizations. These services include, for example, business counseling, training, market research services, trade missions and trade shows, and export financing assistance. Among the agencies with more significant programs are the Departments of Agriculture and Commerce, and the U.S. Export-Import Bank (Eximbank).

Alone, these services may not produce a substantial increase in exports, but together they play a useful role in encouraging more U.S. companies, especially small- and medium-sized firms, to sell their goods or services abroad in markets in which the United States is competitive. Export promotion programs are generally helpful in the following situations:

- when U.S. firms lack export awareness because markets have failed to give the right information to producers who otherwise would export;
- when U.S. businesses are aware of export opportunities but need additional technical assistance to consummate export sales;
- when U.S. firms need representational assistance from the U.S. government in opening doors overseas or meeting foreign competition; and
- when U.S. businesses need competitive financing, loan guarantees, or insurance to close an export sale.

As noted in our January 1992 report, U.S. export promotion funds are not currently allocated according to a governmentwide strategy based on a set of national priorities.<sup>1</sup> As a result, U.S. export promotion efforts are diluted because they are spread among separate programs with separate budgets in separate agencies.

However, the U.S. government has taken some recent initiatives to improve its export promotion programs. In 1989 the U.S. Department of Commerce, which has primary responsibility for promoting commercial exports, began a series of strategic and technical reviews to address concerns about the usefulness of its services. These reviews recommended focusing funds and activities on the infrequent exporter, on

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<sup>1</sup>See *Export Promotion: Federal Programs Lack Organizational and Funding Cohesiveness* (GAO/NSIAD-92-49, Jan. 10, 1992).

assisting U.S. companies to enter new overseas markets, and on making commercial services more useful and timely.<sup>2</sup>

Then, in 1990 the President created the Trade Promotion Coordinating Committee to help unify and streamline the government's export promotion programs. This committee consists of representatives of 19 major U.S. government agencies including the Departments of Commerce, State, and Defense. As noted in our January 1992 report, the committee has met with limited success to date in trying to better coordinate the U.S. government's export programs.

As the United States makes further efforts to improve its services, it may also learn important lessons by examining the export promotion programs of its major European competitors. These countries' exports as a share of their economies have long exceeded those of the United States.

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## Objectives, Scope, and Methodology

At the request of the Ranking Minority Member of the House Government Operations Committee and the Chairman of its Subcommittee on Commerce, Consumer, and Monetary Affairs, we examined (1) the structure of export promotion programs in five industrialized nations, (2) the spending for such programs, and (3) the financial assistance these competitors give to their exporters.

For our review, we selected France, Germany, Italy, and the United Kingdom because they represent four of the U.S.' major export competitors. In 1990 these four countries accounted for 29 percent of the world's total merchandise trade<sup>3</sup> compared with the U.S.' 12-percent share.

In all countries, we focused specifically on the role national governments play in encouraging commercial export promotion programs,<sup>4</sup> and, to the extent possible, the role semiprivate (i.e., private organizations that receive government funding) and private organizations play.

To obtain information on European countries' export promotion programs, we held discussions with, and analyzed documents from,

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<sup>2</sup>According to the Department of Commerce, an infrequent exporter is a company that has some export experience, but needs assistance to increase its export activity either to its initial export market or to additional markets. Most firms in this category tend to be small- and medium-sized firms.

<sup>3</sup>Intra-European trade constitutes about 69 percent of this trade.

<sup>4</sup>For a discussion of agricultural export promotion programs in countries that compete with the United States, see International Trade: Foreign Market Development for High Value Agricultural Products, (GAO/NSIAD-90-47, Jan. 17, 1990).

officials involved in their countries' export promotion activities. This group included officials from national governments and representatives of semiprivate and private organizations responsible for export promotion.

To compare European countries' specialized assistance to implement specific export promotion services with that of the United States, we reviewed prior GAO reports and testimony concerning U.S. export promotion programs, as well as U.S. government and academic evaluations. We also met with U.S. officials responsible for export promotion, including those from the U.S. Departments of Commerce, State, and Defense and the Eximbank. To observe U.S. exporters and their competitors at a major trade exhibition, we attended the German International Trade Fair for Sports Equipment and Fashion (autumn 1991). We also met with officials from the Department of Defense's Office of Defense Cooperation to discuss their efforts to promote defense-related exports.

In Brussels, Belgium, we interviewed a U.S. & Foreign Commercial Service (US&FCS) official at the U.S. Mission to the European Community to obtain information on the U.S.' role in monitoring developments at the European Community and in representing the interests of small- and medium-sized U.S. exporters to the Community. In addition, we met with a European Commission official to obtain information about the Community's programs to assist exporters.<sup>5</sup>

Although reliable data on foreign governments' export promotion activities were difficult to obtain, we present the available data in chapters 2 and 3. However, comparing data across countries should be done cautiously, due to varying data sources and categories. In addition, the data that foreign government officials and others provided have not been independently verified.

The underlying competitiveness of a country's exports is determined by many factors, and each country has a different view of what role the government should play in helping businesses. Therefore, caution should be used in making direct comparisons between the utility of the U.S.' export promotion programs and that of its European competitors, based on this report.

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<sup>5</sup>The European Community was originally created by six countries under the provisions of the 1957 Treaty of Rome. Today, its 12 members are Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, and the United Kingdom. The Commission is made up of ministers from the member countries. It is responsible for initiating and enforcing legislation of the Community and manages the funds and common policies of the Community.

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**Chapter 1**  
**Introduction**

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**We did our work between June 1991 and December 1991 according to generally accepted government auditing standards.**

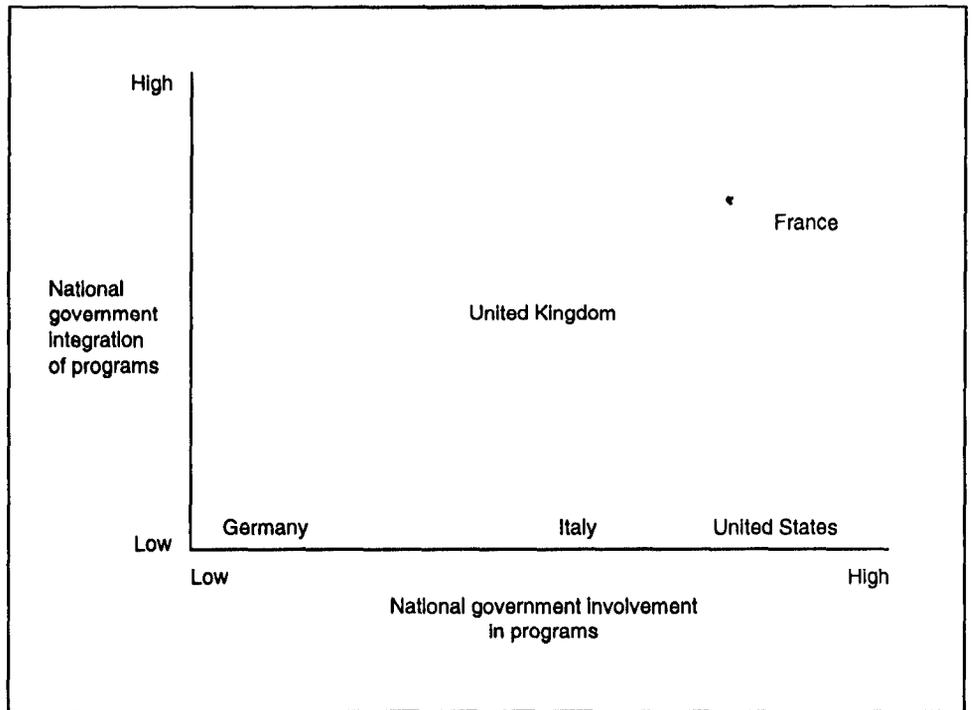
**GAO discussed this report with officials from the Department of Commerce and with senior commercial officers from the embassies of France, Germany, and the United Kingdom. They generally agreed with GAO's characterization of their countries' programs.**

# National Government Involvement in and Integration of Programs Varies

Although the nations we studied offered similar types of services, their national governments' involvement in, and integration of, export promotion programs varied by country. The degree of a government's involvement in export promotion, and the degree of coordination that results, ranges from high in France to low in Germany. In France, a single government agency manages most aspects of export promotion. In Germany, government limits its involvement in promotion activities to gathering and distributing market information and to funding semiprivate organizations and selected promotional activities. Italy, the United Kingdom, and the United States fall somewhere between the French and German approaches.

Figure 2.1 compares the extent to which these five countries' governments are involved in and integrate export promotion programs.

**Figure 2.1: Five National Governments' Involvement in and Integration of Export Programs**



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## The U.S. Government Is the Primary Provider of Export Assistance for U.S. Businesses

The U.S. government is a key provider of export promotion services for U.S. businesses. Foremost among the numerous federal agencies with promotion programs is the Department of Commerce,<sup>1</sup> though nine other agencies also assist exporters.<sup>2</sup> Within the Department, the International Trade Administration (ITA) has the primary responsibility for nonagricultural export promotion activities. Organizationally, ITA executes its export promotion responsibilities through three units: US&FCS, Trade Development, and International Economic Policy. US&FCS collects, analyzes, and distributes commercial information to the U.S. business community (as well as provides in-depth counseling and trade contact services) through 47 domestic offices and 137 overseas posts. The two remaining ITA units conduct a range of other export promotion activities, including researching and analyzing major trade issues, projecting industry trends and performance, recruiting some of the participants for overseas trade fairs and missions, and operating outreach programs that promote U.S. exports. The U.S. Department of State also provides some commercial support by managing commercial programs in countries in which there is no US&FCS presence.

Contrary to practices in the United Kingdom, the U.S. government has not integrated its numerous export promotion programs within a single strategic plan, or, like France, within a single organization. The U.S. interagency Trade Promotion Coordinating Committee has attempted to do so. But it lacks authority and permanent status and cannot set priorities for allocating money among the 10 government agencies involved in export promotion.

Semiprivate and private organizations, such as chambers of commerce, trade associations, colleges and universities, and banks play a limited role in the U.S. export promotion program. The Department of Commerce has made efforts to integrate some of these organizations, collectively referred to as "multipliers," into its promotional activities. But its success has been limited primarily to coordination rather than integration of their activities with those of government, according to an October 1990 Department of

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<sup>1</sup>For a further discussion of Department of Commerce programs and organization, see Export Promotion: Problems in Commerce's Program (GAO/NSIAD-89-44, Jan. 26, 1989).

<sup>2</sup>These nine are the Departments of Agriculture, Energy, and the Interior; the Agency for International Development; the Export-Import Bank of the United States; the National Aeronautics and Space Administration; the Overseas Private Investment Corporation; the Small Business Administration; and the U.S. Trade and Development Program. For additional information on these organizations, including the amount they spent on export promotion activities in fiscal year 1991, see Export Promotion: Federal Programs Lack Organization and Funding Cohesiveness (GAO/NSIAD-92-49, Jan. 10, 1992).

Commerce review.<sup>3</sup> The same document indicated that while these organizations may never serve as substitutes for or full-service alternatives to Department of Commerce-sponsored programs, their programs could be important complements. For example, these multipliers could selectively target certain types of companies or industries for specialized assistance and offer financial support ranging from export financing to subsidization of participation in trade events. Multipliers can add value to what the federal government has to offer because they tend to be more closely attuned to the assistance needs of companies in individual sectors and geographical areas.

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## **France's Program Is Highly Centralized and Integrated**

In France, the national government's involvement in export promotion is substantial and highly centralized. Most functions are consolidated under one organization—the Ministry of Economic Affairs, Finance and Budget. This ministry is considered a “superministry” and is the French equivalent to a combination of the U.S. Department of the Treasury, the Office of Management and Budget, the Office of the U.S. Trade Representative, and parts of the Department of Commerce. The ministry formulates the French government's positions on trade policy as well as manages overseas trade promotion.

Within the ministry, the Direction des Relations Economiques Extérieures (DREE) is the main policymaking agency for export promotion and credit activities. DREE oversees the activities of other agencies that provide domestic and overseas export assistance, including the French Center for Foreign Commerce (Centre Français du Commerce Extérieur, or CFCE) and the French equivalent of the US&FCS, the Poste d'Expansion Economique. DREE also coordinates France's interagency position on trade issues, negotiates bilateral trade agreements, and participates in the multilateral trade talks in the European Community and the General Agreement on Tariffs and Trade.

Within France, CFCE is the primary point of contact for export promotion services, while overseas, the Poste d'Expansion Economique provides promotional services to French firms. Through a network of regional offices in France, CFCE counsels exporters and organizes overseas trade events. CFCE also gathers and distributes trade information. Overseas commercial staff are stationed in 180 posts in 80 countries and offer a variety of export services to French firms, including (1) collecting and

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<sup>3</sup>See US&FCS-Multiplier Relations: Analysis of Past Cooperative Efforts and Assessment of Future Potential, U.S. Department of Commerce, International Trade Administration, U.S. and Foreign Commercial Service, SR 90-13 (Oct. 1990).

reporting market information and export opportunities, (2) locating agents and distributors, (3) supporting firms' participation at trade events, and (4) providing counseling to visiting French firms.

In contrast to the U.S.' approach, the French national government also actively promotes the commercial sale of defense equipment and services. Defense exports are an active part of France's overall trade strategy. The French Delegate General for Armament involves itself in all stages of the export process, from the development of foreign markets to the negotiation of contracts and the sale of equipment. It also directs the technical assistance and training for commissioning and maintaining equipment sold abroad.

In addition to the national government's involvement, semiprivate organizations contribute to the French export promotion effort. A network of separate local, regional, and overseas chambers of commerce and industry associations advises firms on export issues. Domestic chambers organize foreign trade missions and offer many other services, including information centers, data banks, and training courses. For example, the Paris chamber offers member companies direct and personalized assistance in devising export strategies for particular foreign markets. To help those companies that do not have in-house expertise or that have not yet attempted to penetrate certain overseas markets, the chamber identifies potential partners and joint ventures.

Contrary to U.S. practice, membership in local chambers is mandatory for some companies. Overseas chambers of commerce also assist exporters by providing information, facilities, commercial assistance, and other promotion services. French chambers of commerce, both domestic and overseas, receive some government funding and additional subsidies for certain trade events. Another organization that promotes French exports is the Federation of Small and Medium-Sized Industries, which also receives government support. The federation targets medium-sized French companies for assistance in establishing foreign subsidiaries because the French government believes this aid will lead to greater exports.

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## **The German Government Limits Its Role in Export Promotion**

In contrast to the U.S.' approach to export promotion, the German government limits its role to supporting semiprivate and private organizations, such as overseas chambers of commerce, and gathering and distributing market information. Other agents, such as local chambers of commerce, play a much more critical role in assisting exporters.

The Ministry for Economic Affairs (Bundesministerium für Wirtschaft —BMW) has overall responsibility for these activities. Within BMW is the Federal Office for Foreign Trade Information (Bundesstelle für Aussenhandelsinformation—BfAi), the government's key agency for gathering and disseminating information. BfAi collects and distributes market information through a worldwide network. BfAi-trained "correspondents" play a major role in BfAi's data-gathering network. Further, the German diplomatic corps, located within embassies and consulates, assists BfAi by providing economic-related information and reports.

German semiprivate and private organizations play a much more important role in assisting exporters than they do in the United States. For the majority of assistance, such as counseling, general business facilitation services, and trade events, German exporters depend on semiprivate and private organizations. Germany has no formal export strategy that directs or coordinates export promotion activities on a national level. Instead, semiprivate and private organizations implement promotion activities through an informal network. The German chambers of commerce are the key to this network. A national umbrella organization of overseas and domestic chambers of commerce receives and sorts foreign trade information and then distributes it to its affiliated chambers at home and abroad.

Domestically, local chambers play a primary role in assisting exporters. These chambers provide a key link between exporters, government organizations, and the overseas chambers by giving advice and referring exporters to other relevant government and private organizations. Local chambers also sponsor specialized seminars on various export subjects. For example, the Frankfurt chamber offers 30 to 50 seminars per year on such issues as export documentation, financial and legal issues, and trade fair participation. These chambers operate as self-supporting independent organizations free of government funding. Because membership in domestic chambers is mandatory, the chambers provide an additional source of assistance outside of federal channels.

Germany's overseas chamber network is, in effect, its foreign commercial service. These chambers are usually bilateral (e.g., the German-American Chamber of Commerce in the United States) and provide the full range of export services normally carried out by foreign commercial officers of other countries. They advise firms on the suitability of their products in certain markets, provide assistance in locating agents and distributors, and

report on business conditions. These chambers receive funds from membership dues, fees charged for services, and from the German government.

Finally, owing to the importance of trade fairs in Germany, the German Industry Council for Exhibitions and Trade Fairs (Die Ausstellungs- und Messe-Ausschuss der Deutschen Wirtschaft—AUMA) also plays a key role in export promotion. AUMA brings together government, semiprivate, and private organizations in the coordination of domestic and overseas trade events. AUMA is a private organization and receives no government funds to support its general operations. The government may, however, provide funds for special projects, such as research. AUMA also collects and distributes information to German firms on trade fairs worldwide.

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## **Italian Export Promotion Is a Loose Mix of Centralized Government and Semiprivate Organizations**

The Italian government, together with many semiprivate organizations, handles the country's export promotion program. The Ministry of Foreign Trade (Ministero del Commercio con l'Estero) has overall responsibility for foreign trade policy, including export promotion. However, it delegates the implementation of export promotion programs to the Institute of Foreign Trade (Istituto Nazionale per il Commercio Estero—ICE). ICE provides these services through a network of 38 domestic and 75 foreign offices, including 5 overseas trade centers. ICE also plans to establish specialized overseas service centers to focus on specific market sectors. Although ICE obtains overall policy direction and funding from the Ministry of Foreign Trade, it functions essentially as an autonomous public corporation. The Ministry of Foreign Affairs (Ministero degli Affari Esteri) provides additional support through its overseas embassies and consulates, though ICE's overseas offices are independent of these organizations.

Semiprivate organizations, especially industry associations, also provide a broad range of promotion activities. The main association representing industrial enterprises in Italy is the Confederation of Italian Industries (Confindustria). It includes about 130,000 companies, including approximately 6,000 small firms that have exporting potential. These firms are grouped into industry "consorzi" (consortia of companies) that help promote member company products.

In addition to industry associations, Italian chambers of commerce offer a range of export-related services through a network of domestic and overseas offices. The domestic chambers are private, and their promotion

activities are generally independent of other organizations. Although the government has not integrated these private and semiprivate organizations into an overall strategic plan, those organizations that receive government funds work with ICE to formulate export promotion plans and policies.

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## **Export Promotion in the United Kingdom Follows a Strategic Plan**

The British government's export promotion program is the responsibility of the British Department of Trade and Industry (DTI). Within DTI, the British Overseas Trade Board (BOTB) advises on international trade and guides the government's export promotion program, including policy, financing, and overseas projects. BOTB is also responsible for developing a 3-year plan that integrates the country's domestic and overseas promotional resources. The export departments of the BOTB's 11 regional offices work together with commercial staff from the Foreign and Commonwealth Office to provide commercial assistance overseas through its 185 posts abroad. To further integrate the management of domestic and overseas promotion activities, the government has combined key export promotion functions of BOTB and the Foreign and Commonwealth Office under a joint directorate. Finally, BOTB is advised by 17 area advisory groups—about 180 people from industry and commerce with a practical knowledge of exporting.

In addition, the British government promotes the commercial sale of defense-related items through the Defense Export Services Organization, which is part of the British Ministry of Defense. The Organization acts as the focal point for the various sources of government support to defense exporters. The Organization advises the Secretary of State for Defense on export strategy and actively helps British firms market and sell their defense products and services overseas. Moreover, it assists companies through regional marketing arrangements, overseas offices, market research facilities, exhibitions, and military support activities.

In conjunction with the government's programs, private organizations, such as chambers of commerce, are very active in assisting exporters. For example, most chambers have international trade and export departments and offer a comprehensive range of services together with the government. The Association of British Chambers of Commerce, with DTI's support, is pursuing a development strategy to enhance its ability to represent the interests of British businesses and to provide a broader range of promotion services. In addition, the London Chamber of Commerce already provides many export services in conjunction with the government.

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**Chapter 2  
National Government Involvement in and  
Integration of Programs Varies**

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**Further, some chambers organize export clubs that consist of business representatives that volunteer to meet informally and provide advice and encourage firms that are new to exporting. British chambers of commerce are self-supporting from membership subscriptions and receive no financial support from the government. Other organizations, such as the Confederation of British Industries and several industry associations, also provide various types of promotion services.**

# Differences Exist in All Countries' Export Promotion Funding

Although the European countries we studied offer similar types of export promotion services, the countries generally spend more and devote more staff to these programs than does the United States. These countries' export promotion programs are further bolstered by more active support of semiprivate (government-funded) and private organizations than that found in the United States.

## Similar Types of Programs Offered

All countries we reviewed, including the United States, offer a similar range of export promotion services. Most countries provide the same general services, such as counseling, market research information, trade event support, and export financing (see table 3.1). These services assist exporters in analyzing foreign market potential, identifying and contacting potential customers, and obtaining financing. Unlike the United States, most of these other countries do not focus attention on trying to help inexperienced firms enter export markets, believing that their limited export promotion funds can be put to better use helping companies that have already demonstrated some exporting success.

**Table 3.1: Five National Governments' Export Promotion Services**

|                             | France | Germany | Italy | United Kingdom | United States |
|-----------------------------|--------|---------|-------|----------------|---------------|
| Export awareness program    | No     | No      | No    | Yes            | Yes           |
| Counseling/ education       | Yes    | Yes     | Yes   | Yes            | Yes           |
| Market research information | Yes    | Yes     | Yes   | Yes            | Yes           |
| Trade event support         | Yes    | Yes     | Yes   | Yes            | Yes           |
| Export financing            | Yes    | Yes     | Yes   | Yes            | Yes           |

## Some European Countries Commit More Resources to Promoting Exports

Most of the European countries we reviewed devote relatively more money and staff to promote exports than does the United States. Although this resource commitment varies among countries, table 3.2 shows that in 1990, using relative indicators, France, Italy, and the United Kingdom spent relatively more on nonagricultural export promotion than the United States. For example, these countries spent \$1.99, \$1.71, and \$1.62 respectively, per \$1,000 of exports, compared to the \$0.59 spent by the United States.

**Chapter 3**  
**Differences Exist in All Countries' Export**  
**Promotion Funding**

**Table 3.2: Five National Governments' Outlays for Export Promotion Programs, 1990**

|                     | Outlays <sup>a</sup><br>(U.S.dollars <sup>b</sup> in<br>millions) | Outlays per<br>\$1,000 exports | Outlays per<br>\$1,000 GDP |
|---------------------|---|--------------------------------|----------------------------|
| France <sup>c</sup> | \$417   | \$1.99                         | \$0.350                    |
| Germany             | 93  | 0.22                           | 0.062                      |
| Italy               | 309   | 1.71                           | 0.284                      |
| United Kingdom      | 298   | 1.62                           | 0.305                      |
| United States       | 231   | 0.59                           | 0.043                      |

<sup>a</sup>In all countries, except the United States, the spending includes estimates provided by government officials. Outlays do not include state and local government export promotion spending and are only for "traditional" export promotion activities such as awareness promotion, counselling, information, and trade event programs.

<sup>b</sup>Based on the following conversions using 1990 average exchange rates per U.S. dollar: France—5.7 francs; Germany—1.7 deutsche marks; Italy—1254.3 lire; United Kingdom—0.59 pounds sterling.

<sup>c</sup>In all countries except France, this spending does not include money spent on agricultural promotion. French officials were unable to separate the agricultural spending from the total but told us that most of this spending is on nonagricultural programs.

Sources: GAO analysis of funding information provided by government officials. Organization for Economic Cooperation and Development (OECD) Main Economic Indicators for Gross Domestic Product and Monthly Statistics of Foreign Trade.

European countries also devote more overseas staff to execute export promotion programs than does the United States. Table 3.3 shows that each country we examined has more overseas commercial staff than does the United States. The United Kingdom leads with 1,484; followed by France with 1,230; Germany with 960; and Italy with 750. The number of overseas commercial staff of the U.S. Department of Commerce was 615.

If relative indicators are considered, the differences become even more pronounced. All countries, including Germany, had better-staffed commercial operations. Measuring the number of staff for every \$1 billion of exports, countries range from over 8 staff per \$1 billion in exports in the United Kingdom to 1.6 staff per \$1 billion in the United States. These disparities in staffing are important because overseas commercial staff generally come in closest contact with exporters' customers and are most familiar with the culture and sales environment of overseas markets.

**Chapter 3  
Differences Exist in All Countries' Export  
Promotion Funding**

**Table 3.3: Five National Governments'  
Overseas Export Promotion Staffing,  
1990**

| <b>Country</b> | <b>Overseas posts</b> | <b>Commercial officers</b> | <b>FSNs<sup>a</sup></b> | <b>Total staff</b>     | <b>Staff per \$1 billion of exports</b> |
|----------------|-----------------------|----------------------------|-------------------------|------------------------|---|
| France         | 180                   | 100                        | 1,130 <sup>b</sup>      | <b>1,230</b>           | 5.87                                    |
| Germany        | 50 <sup>c</sup>       | N/A <sup>d</sup>           | N/A                     | <b>960<sup>e</sup></b> | 2.28                                    |
| Italy          | 83                    | 170                        | 580                     | <b>750</b>             | 4.14                                    |
| United Kingdom | 185                   | 523                        | 961                     | <b>1,484</b>           | 8.05                                    |
| United States  | 123                   | 155                        | 460                     | <b>615</b>             | 1.56                                    |

<sup>a</sup>The United States employs foreign nationals as commercial specialists, who are called "foreign service nationals" (FSNs). In other countries, these numbers represent FSN equivalents.

<sup>b</sup>In addition to FSNs, France has a "volunteer" program that provides on-the-job commercial training solely to men as an alternative to military service. In 1990 there were 360 volunteers.

<sup>c</sup>These posts consist solely of overseas chambers of commerce offices.

<sup>d</sup>N/A denotes not available. See note <sup>e</sup>.

<sup>e</sup>German officials could not provide us with breakouts of commercial officer and FSN equivalents but estimated that in 1990 there were 900 commercial staff in overseas chambers. Further, BfAI employs between 60 and 70 "correspondents" abroad who gather and report commercial information.

Source: GAO analysis of staffing information as provided by government officials and 1991 European Community Economic Handbook.

# European Countries Offer Financial Assistance to Exporters

The four European countries we reviewed generally offer exporters greater financial incentives than does the United States. For example, they encourage participation at trade fairs to a greater extent than the United States does by offering financial assistance to exporters that attend trade shows. Some European countries also offer financial assistance for firms to investigate potential export markets or conduct market research. They also target export promotion funds to industries and geographical areas with high export potential. Further, European countries offer greater access to export financing through decentralized locations and fewer restrictions on obtaining financing.

## European Countries Offer Financial Support for Trade Fair Participation

European countries believe that participating in trade fairs is a vital marketing approach to increasing exports, particularly for small- and medium-sized firms. Consequently, these countries provide financial support to encourage firms to do so.

Trade fair participation is encouraged because it is a proven means of centrally selling goods and services, locating suitable representatives in an overseas market, or finding potential distributors. In Germany, for example, trade fairs are the principal method for providing small- and medium-sized firms with market exposure. About 100 fairs and exhibitions of international stature are held annually in Germany. For many industries, the premier trade fairs in the world are staged in Germany. About 60 percent of all fairs worldwide and about 85 percent of trade fairs in Europe take place in Germany.

While trade fairs are acknowledged as important, transportation, entry fees, and booth design and construction are all costly and can deter exporters from participating. Government monetary and administrative assistance helps to encourage greater participation.

European countries and the European Community provide financial support to firms that participate in trade fairs.<sup>1</sup> Financial assistance ranges from 30 to 70 percent of the total cost. In France, participation in international trade fairs is a principal export promotion activity for the government. CFCE sponsors or helps organize more than 200 trade events each year, including country-specific trade fairs. Further, CFCE promotes events through advertising in catalogs and the press and assists exhibitors in organizing and decorating their booths. Exhibitors are not initially

<sup>1</sup>A European Community official told us that many European Community member nations plan to eliminate financial support for trade fairs held within the Community after 1992. However, they may continue to offer support for participation outside the Community.

subsidized; they pay all the costs of participation in advance, including their share of booth and pavilion costs. However, 50 to 60 percent of the total cost is paid by the French government if the event is not profitable.

In Germany, depending on the cost of each fair, the German government subsidizes roughly 30 percent of the cost of participation through funds given to fair organizers. German firms pay for exhibition space rental and freight transportation, and the government covers the remaining costs with no limit on the number of overseas trade fairs a company may participate in each year.

Attendance at foreign trade shows is considered a major promotion activity for Italian exporters. ICE covers indirect costs, such as publicity and representational events, and direct costs such as construction of displays and space rentals on a cost-sharing basis with the participating firms. In addition to these efforts, Italian consortia and overseas chambers of commerce also provide support. The R.O.M.E. Consortium, for example, funds up to 70 percent of companies' total expenses for trade fair participation. It also provides companies with services such as renting the exhibition area, constructing stands, shipping samples, and arranging meetings.

In the United Kingdom, BOTB also encourages firms to gain market exposure by participating in selected trade fairs. BOTB leaves the organization of these activities primarily to chambers of commerce and trade associations. However, BOTB continues to subsidize the costs of participating in these events. It pays up to 50 percent of the estimated cost of providing space, constructing stands, and handling essential services and appropriate display aids. Generally, BOTB permits exhibitors to receive this financial assistance for the first three fairs in a given market over a specified time interval. More favorable arrangements exist for some markets, such as the United States and Japan.

In addition to the financial assistance provided by individual countries, the European Community also provides support for member countries' firms to participate in trade fairs it sponsors. For example, it provides a financial subsidy for the rental of trade exhibition space and the construction of stands. The Community will cover up to 50 percent of the exhibiting firm's total cost. The European Community sponsors about seven trade fairs each year.

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**The U.S. Department of  
Commerce Has  
De-Emphasized  
Participation in Trade Fairs  
and Offers Limited  
Financial Support**

Despite the great emphasis placed on trade fairs by overseas competitors, the Department of Commerce is placing less stress on this type of event in most markets. In its 1990 strategic review, the Department of Commerce concluded that infrequent exporters found overseas trade fairs too expensive. It also said that events that are not targeted to the needs of these companies might not be the best use of the Department's limited money. As a result, the Department recommended that overseas trade events that are not industry-specific promotions or do not benefit infrequent exporters be de-emphasized.

Before 1982 the U.S. government provided some financial assistance for firms to participate in trade events. Financial assistance for Commerce-sponsored programs has since been eliminated, and the trade events program now operates on a cost-recovery basis.<sup>2</sup> To participate in overseas trade exhibitions, U.S. companies must now pay in full for their own booth construction, transportation, interpreters' charges, and space rental. The Department of Commerce does provide administrative and organizational support. A Department official told us that fees for participating in trade fairs vary from event to event, depending on the country and the type of event. For example, the minimum cost charged by the Department of Commerce for an exporter to attend a major international fair may range from \$3,000 to \$7,500.<sup>3</sup>

In addition to de-emphasizing trade fair participation and eliminating financial support for trade events, the Department of Commerce has turned over the management of many profitable shows to private fair organizers. While the U.S. government limits participation only to U.S. firms, private organizers do not. Furthermore, there is no assurance that small- and medium-sized U.S. firms will be recruited, although Commerce requires that some efforts be made to attract new-to-export and new-to-market firms. Some Department officials believe the privatization of trade shows might have a substantial impact on U.S. trade promotion programs and may conflict with the Department's objectives to bring infrequent exporters, particularly small- and medium-sized ones, into the export business.

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<sup>2</sup>The direct cost to the government for the individual promotional activity, excluding salaries and overhead, is charged to the participating firms.

<sup>3</sup>The Department of Commerce offers exporters a "turnkey" package that includes a 12-square-meter booth for 1 week.

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## Some European Countries Provide Financial Assistance for Market Development

To help exporters tap new markets, most countries offer information on basic trade statistics, overseas market structures and trends, and trade opportunities or "leads." France and the United Kingdom have gone one step further by offering exporters specialized market development assistance. This assistance encourages firms to explore and develop new markets for their products.

In France, the export insurance and guarantee agency, *Compagnie Française d'Assurance pour le Commerce Extérieur (COFACE)*, offers exporters specialized insurance for market research. Known as "Assurance Prospection," this scheme encourages firms to explore and develop overseas markets by covering up to 75 percent of a firm's fixed costs incurred to investigate overseas markets. This guarantee applies to both domestic and overseas costs that exceed the related export profits.

In the United Kingdom, *BOTB* encourages firms to identify and develop new markets through an innovative marketing research program. Managed by the Association of British Chambers of Commerce and funded by *BOTB*, the program offers British firms free professional advice on how to conduct export marketing research. If a company commissions a professional consultant to undertake the research, *BOTB* will pay the cost up to \$33,898 (20,000 pounds).<sup>4</sup> If the firm does the research in-house, *BOTB* will pay half of the essential travel costs and interpreters' fees, plus a daily allowance for one researcher. This funding does not extend to research relating to European Community member countries. *BOTB* also will pay up to a third of the cost of purchasing published marketing research.

On the other hand, the U.S. government, for a fee, provides firms with product-specific market research, but it generally gives no direct financial assistance for firms to develop overseas markets. The United States charges for this information; however, the prices for many of its market research products are well below cost.

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## Some European Countries Target Funds and Services

European export promotion organizations, faced with declining resources and accelerating demands, have shifted their limited money to locations in which investments will have the biggest payoff. Moreover, officials believe that the more directed the assistance is, either geographically or sectorally, the more tangible the results. Accordingly, France, the United Kingdom, and the European Community target specific geographic regions and industry sectors for export promotion assistance. Although French

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<sup>4</sup>Using the 1990 average exchange rate of \$1 equaling 0.59 British pounds.

marketing officials have not articulated a formal plan, they told us they focus on “large, solvent” markets—particularly Germany, Italy, and the United States—as the best way to increase export sales.

The United Kingdom also selectively targets several regions of the world to receive concentrated export promotion assistance. Each year BOTB prepares a 3-year plan establishing how and where export promotion funds will be used. BOTB decided that more money should be devoted in 1991 and 1992 to Asia and the Pacific Rim, Japan, North America, and Western Europe. Another special British initiative involves targeted export promotion assistance under its “Opportunity Japan” program. Launched in 1988, this program seeks to guide British firms toward effective long-term participation in the Japanese market and to double the United Kingdom’s exports to Japan within 3 years. Beginning in 1993, a similar program will be launched in the United States.

The European Community, on behalf of its member nations, also identifies broad market sectors and concentrates its export promotion assistance on those sectors. It currently is targeting its export assistance for trade fairs to Southeast Asia.

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### **U.S. Efforts to Target Services and Focus Funds Are Limited**

In contrast to France, the United Kingdom, and the European Community, the United States makes limited efforts to target its promotion funds. With the exception of a Department of Commerce pilot program, the Japan Corporate Program, and the government assistance given to firms entering Eastern Europe, the United States does not generally target specific geographical regions or sectors within those regions. Under the Japan Corporate Program, firms are given intensive counseling assistance to help them enter the Japanese marketplace.<sup>5</sup> However, the program is restricted to 20 firms, does not actively target particular industries and sectors for penetration, and does not use measurable goals to quantify progress made under the program.

Instead of targeting regions or sectors, each commercial post identifies industries with “best prospects” for export sales. Once these prospects are identified, market research reports and trade events are designed to

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<sup>5</sup>The Japan Corporate Program is a pilot program designed to help 20 companies achieve a market presence in Japan and is intended to be a 5-year partnership between the companies and the Department of Commerce. Each company has made a major commitment to enter the Japanese market. The Department of Commerce will provide support through developing specialized market data and business counseling, arranging introductory meetings with prospective Japanese buyers, and recommending market development strategies.

highlight opportunities in these areas. For fiscal year 1991, overseas posts identified over 1,400 best prospects. In sum, Commerce does not actively target its export promotion activities around industries that are strategically important to overall U.S. competitiveness. Instead, its approach is more passive. It identifies a wide range of best prospects in individual countries and uses those prospects to better plan and deliver its regular export assistance programs. Commerce assumes that the identification of these prospects ultimately leads to future export sales.

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## **European Countries Provide Better Access to Export Financing**

Obtaining competitive export financing is a critical need for many exporters. Consequently, easy access and limited bureaucratic barriers can improve exporters' chances for financing. Some European countries offer exporters either a network of regional offices or local banks where exporters can more easily apply for export financing assistance or obtain information. Further, European countries place fewer government restrictions on obtaining financing.

France and Germany both have attempted to make export financing more accessible. France provides export financing assistance through COFACE with a network of 22 regional offices. Among the various forms of assistance offered are insurance and guarantees. COFACE also cooperates with commercial banks to provide export financing. In Germany, a credit institute, Ausfuhrkredit-Gesellschaft (AKA), which is backed by 54 banks, plays a key role in export financing. As the umbrella bank for a consortium of 54 commercial banks, AKA only engages in medium- and long-term export financing. Application may be made through member banks located throughout Germany, but AKA approves the loan.

European countries also place fewer restrictions on obtaining financing by granting credit based on entitlement. That is, these countries make broad, long-term determinations about which exports to assist and by what means, and then provide sufficient funds and administrative freedom to assist those exports.

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## **U.S. Export Financing Considered Too Restrictive**

The availability of export financing in the United States is limited by access and application restrictions. In the United States, Eximbank, an independent U.S. government agency, facilitates U.S. exports by providing loans, loan guarantees, and credit insurance. The credit insurance is provided in coordination with the Federal Credit Insurance Association through its marketing offices in six cities. Through its location in

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**Chapter 4  
European Countries Offer Financial  
Assistance to Exporters**

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Washington, D.C., and one-man office in Los Angeles, California, Eximbank offers loans and loan guarantee programs designed to absorb risks that private export credit financing sources will not accept.

Eximbank focuses its resources on those export transactions that need government support due to foreign government competition or because of insufficient commercial bank support for otherwise creditworthy transactions. However, applicants must generally demonstrate on a case-by-case basis that they need the financing to make a sale. This approach increases paperwork that, along with the uncertainty regarding approval, can discourage would-be applicants. In its 1990 report to Congress, Eximbank said that users of its programs seek more readily accessible, easy-to-understand programs.<sup>6</sup> Exporters cited slow processing time, confining policies, and excessive government restrictions as characteristics that curb the competitiveness of the Eximbank.

The Eximbank has recently taken several steps to increase the access of small- and medium-sized businesses to its programs. Through its "city-state" program offered in 2 cities and 12 states, the Eximbank is offering pre-application processing services and general awareness training to small businesses. The Eximbank has recently formed a small-business office in its Washington, D.C., headquarters. Although not expected to make its programs as readily accessible as in France, with its domestic network of 22 regional financing offices, the Eximbank hopes it will bridge some of the gap that now exists between its programs and the needs of the small- and medium-sized business community.

The Small Business Administration (SBA) also offers export financing through its Export Revolving Line of Credit Program made available through its domestic network of offices. However, in November 1991 testimony we pointed out that the SBA's financial assistance to exporters has historically represented less than 1 percent of its overall financial assistance to small businesses even though reported program activity increased sharply in fiscal year 1991.<sup>7</sup>

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<sup>6</sup>Report to the U.S. Congress on Export Credit Competition and the Export-Import Bank of the United States for the Period January 1, 1990 through December 31, 1990, Export-Import Bank of the United States (July 1991).

<sup>7</sup>See Export Promotion: Status of SBA Programs (GAO/T-NSIAD-92-3, Nov. 14, 1991).



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**Appendix I**  
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# Related GAO Products

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Export Promotion: Federal Programs Lack Organizational and Funding Cohesiveness (GAO/NSIAD-92-49, Jan. 10, 1992).

Export Promotion: Status of Small Business Administration Programs (GAO/T-NSIAD-92-3, Nov. 14, 1991).

U.S. Government Export Promotion Programs Could Be Improved (GAO/T-NSIAD-91-39, May 23, 1991).

International Trade Administration Export Promotion Activities (GAO/T-NSIAD-90-04, Oct. 18, 1989).

Export Promotion: Problems With Commerce's Commercial Information Management System (GAO/NSIAD-89-162, Aug. 31, 1989).

Export Promotion: Problems in Commerce's Programs (GAO/NSIAD-89-44, Jan. 26, 1989).

Export Promotion: Status of Commerce's Worldwide Commercial Information Management System (GAO/NSIAD-89-100, Jan. 23, 1989).

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